

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 AID-05 COME-00 EB-07 FRB-03

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

H-02 L-03 /060 W

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R 161714Z MAR 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9383

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2009

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJECT: CEPE PLANS TO TAKE OVER ANGLO REFINERY IN COMPENSATION
FOR CONDITION OF SANTA HELENA FIELD

REF: QUITO 1959

1. COL. LUIS PINEIROS, MANAGER OF THE STATE PETROLEUM CORPORATION (CEPE), ANNOUNCED IN THE PRESS MARCH 10 THAT HE HAS LEVIED A CLAIM AGAINST ANGLO FOR THE DETERIORATED CONDITION OF THE SANTA HELENA FIELDS, EQUIPMENT AND ACCESS ROADS. ACCORDING TO THE TERMS OF THE ORIGINAL ANGLO CONTRACT, ALL FIELD EQUIPMENT WAS TO HAVE BEEN RETURNED TO THE STATE IN GOOD CONDITION. CEPE HAS ASKED THE MINISTRY OF NATURAL RESOURCES TO TAKE OVER THE REMAINING ANGLO OPERATIONS, I.E., THE ANGLO REFINERY IN LA LIBERTAD, IN COMPENSATION FOR THE EQUIPMENT. PINEIROS ESTIMATED THAT THE COST TO RESTORE THE ANGLO CAMPS TO WORKABLE CONDITION WOULD BE ABOUT \$7.8 MILLION WHEREAS THE ORIGINAL INVESTMENT IN THE REFINERY WAS APPROXIMATELY \$7 MILLION.

2. COMMENT: ACCORDING TO ANGLO SOURCES, THE COMPANY HAD BEEN DISCUSSING SOME SORT OF SYMBOLIC COMPENSATION FOR THE
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SANTA HELENA FIELDS SINCE REVERSION TO CEPE JANUARY 16, 1976.

AS A RESULT, ANGLO WAS TOTALLY TAKEN BY SURPRISE WHEN COL. PINEIROS HELD HIS PRESS CONFERENCE AND THREATENED TO ASSUME CONTROL OF THE REFINERY. THE REFINERY IS DUE TO REVERT TO CEPE IN TWELVE YEARS ALTHOUGH CEPE HAS BEEN PLANNING TO MODERNIZE IT IN PARTNERSHIP WITH ANGLO THIS YEAR. ALTHOUGH THE FIELDS ARE IN A TOTAL STATE OF DISREPAIR, ANGLO MAINTAINS THAT THE AGE OF THE FIELDS (OVER 60 YEARS) AND THE LOW PRODUCTION DID NOT JUSTIFY EVEN A MINIMUM INVESTMENT FOR MAINTENANCE. ANGLO ALSO FEELS THAT THE ORDER TO ASSUME TOTAL CONTROL OF THE REFINERY DID NOT ORIGINATE WITH COL. PINEIROS, BUT RATHER WITH MINISTER OF NATURAL RESOURCES VARGAS. ANGLO IS MEETING WITH VARGAS MARCH 16 TO ATTEMPT TO REACH SOME COMPROMISE SETTLEMENT OVER COMPENSATION.

3. THE ANGLO ARTICLE WAS PRINTED SIDE BY SIDE WITH THE ARTICLE (SEE REFTTEL) COMPLAINING ABOUT TEXACO-GULF'S LACK OF EXPLORATION AND POOR MAINTENANCE OF WELLS AND EQUIPMENT. UNDER THE REVERSION CONTRACT WITH ANGLO, THE GOE HAD 60 DAYS TO MAKE KNOWN ANY COMPLAINTS ABOUT ANGLO; THE TIMING OF THE MINISTRY'S PRESS RELEASES APPEARS TO MAKE THEM A WARNING TO TEXACO-GULF, SINCE THE CONDITION OF THE TEXACO-GULF PROPERTIES IS BECOMING A MAJOR BONE OF CONTENTION.
BREWSTER

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